

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type: <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name: <u>Charter Township of Northville</u>	County Wayne
Audit Date December 31, 2005	Opinion Date March 2, 2006	Date Accountant Report Submitted To State: June 24, 2006	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:


1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations.

You must check the applicable box for each item below:

- | | |
|---|---|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input checked="" type="checkbox"/> yes <input type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91] or P.A. 55 of 1982, as amended [MCL 38.1132]) |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Reports on individual federal assistance programs (program audits).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Single Audit Reports (ASLGU).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Certified Public Accountant (Firm Name): PLANTE & MORAN, PLLC			
Street Address 1000 Oakbrook Drive, Suite 400	City Ann Arbor	State MI	ZIP 48104
Accountant Signature 			

Charter Township of Northville

**Financial Report
with Supplemental Information
December 31, 2005**

Charter Township of Northville

Contents

Report Letter	1-2
Management's Discussion and Analysis	3-7
Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Assets	8
Statement of Activities	9-10
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	11-12
Reconciliation of Fund Balances to the Statement of Net Assets	13
Statement of Revenue, Expenditures, and Changes in Fund Balances	14-15
Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	16
Proprietary Funds - Enterprise Funds:	
Statement of Net Assets	17
Statement of Revenue, Expenses, and Changes in Net Assets	18
Statement of Cash Flows	19-20
Fiduciary Funds - Agency Funds - Combined Balance Sheet	21
Notes to Financial Statements	22-41
Required Supplemental Information	42
Budgetary Comparison Schedule - General Fund	43
Budgetary Comparison Schedule - Major Special Revenue Funds	44-45
Note to Required Supplemental Information	46
Other Supplemental Information	47
Nonmajor Governmental Funds:	
Combining Balance Sheet	48-49
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances	50-51
Fiduciary Funds - Agency Funds - Combining Balance Sheet	52

Independent Auditor's Report

To the Board of Trustees
Charter Township of Northville
Wayne County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Charter Township of Northville as of and for the year ended December 31, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Charter Township of Northville's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the remaining fund information of the Charter Township of Northville as of December 31, 2005 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and the budgetary comparison schedules are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

To the Board of Trustees
Charter Township of Northville

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Charter Township of Northville's basic financial statements. The accompanying other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Plante & Moran, PLLC

March 2, 2006

Charter Township of Northville

Management's Discussion and Analysis

Overview of the Financial Statements

Northville Township's 2005 annual report is presented in conformity with the requirements of GASB 34, as it was in 2004. This annual report consists of five parts - management's discussion and analysis, the basic financial statements, required supplemental information, and other supplemental information that presents combining statements for nonmajor governmental funds and fiduciary funds. The basic financial statements include two kinds of statements that present different views of the Township. The first two statements are government-wide financial statements that provide both long-term and short-term information about the Township's overall financial status. The remaining statements are fund financial statements that focus on individual parts of the Township's government, reporting the Township's operations in more detail than the government-wide statements.

Government-wide Statements

The government-wide statements report information about the Township as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid (full accrual).

The two government-wide financial statements report the Township's net assets and how they have changed. Net assets, the difference between the Township's assets and liabilities, are one way to measure the Township's financial health or position.

The government-wide financial statements of the Township are divided into three categories:

- **Governmental Activities** - Most of the Township's basic services are included here, such as the police, fire, building, community development departments, and general administration. Property taxes, state-shared revenue, charges for services, and a special operating millage provide most of the funding.
- **Business-type Activities** - The Township charges fees to customers to help it cover the cost of services it provides. The Township's water and sewer system operations are treated as business-type activities.
- **Component Unit** - The Township includes one other entity in its reports, the Economic Development Corporation. Although legally separate, this "component unit" is important because the Township is financially accountable.

Charter Township of Northville

Management's Discussion and Analysis (Continued)

Fund Financial Statements

The fund financial statements provide more detailed information about the Township's most significant funds - not the Township as a whole. Funds are accounting devices that the Township uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by State law and bond covenants. The Township Board establishes other funds to control and manage money for particular purposes.

The Township has three kinds of funds:

- **Governmental Funds** - Most of the Township's basic services are included in governmental funds, which focus on how cash and other financial assets can readily be converted to cash flow in and out, and the balances left at year end that are available for spending. The governmental fund statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs.
- **Proprietary Funds** - Services for which the Township charges customers a fee are generally reported in proprietary funds. Proprietary funds, like government-wide statements, provide both long- and short-term financial information.
- **Fiduciary Funds** - The Township is responsible for ensuring that the assets reported in these funds are for their intended purposes. All of the Township's fiduciary activities are reported in a separate statement of fiduciary net assets. We exclude these activities from the Township's government-wide financial statements because the Township cannot use these assets to finance operations.

Financial Overview

Northville Township has combined total net assets of \$109 million. This was an increase over 2004 of \$10 million. Business-type activities comprise \$83 million while governmental activities make up \$26 million of the total net assets.

Charter Township of Northville

Management's Discussion and Analysis (Continued)

In a condensed format, the table below shows a comparison of the net assets as of the current date to the prior year (in thousands of dollars):

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Current assets	\$ 26,147	\$ 25,051	\$ 31,687	\$ 29,176	\$ 57,834	\$ 54,227
Noncurrent assets	31,744	30,445	53,035	48,444	84,779	78,889
Total assets	57,891	55,496	84,722	77,620	142,613	133,116
Current liabilities	13,749	13,589	1,420	1,292	15,169	14,881
Long-term liabilities	18,030	18,677	77	64	18,107	18,741
Total liabilities	31,779	32,266	1,497	1,356	33,276	33,622
Net assets:						
Invested in capital assets -						
Net of related debt	10,864	9,418	49,966	46,443	60,830	55,861
Restricted	6,179	5,265	-	-	6,179	5,265
Unrestricted	9,069	8,548	33,259	29,821	42,328	38,369
Total net assets	<u>\$ 26,112</u>	<u>\$ 23,230</u>	<u>\$ 83,225</u>	<u>\$ 76,264</u>	<u>\$ 109,337</u>	<u>\$ 99,494</u>

The following table shows the changes in net assets (in thousands of dollars):

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Revenue						
Program revenue:						
Charges for services	\$ 2,600	\$ 2,685	\$ 10,340	\$ 8,320	\$ 12,940	\$ 11,005
Operating grants and contributions	794	366	6,113	8,451	6,907	8,817
Capital grants and contributions	84	40	3,060	1,977	3,144	2,017
General revenue:						
Property taxes	10,617	9,503	-	-	10,617	9,503
State-shared revenue	1,466	1,485	-	-	1,466	1,485
Unrestricted investment earnings	510	322	605	347	1,115	669
Transfers	21	-	(21)	-	-	-
Special items and other	(86)	(40)	-	-	(86)	(40)
Total revenue	16,006	14,361	20,097	19,095	36,103	33,456
Program Expenses						
General government	2,323	3,195	-	-	2,323	3,195
Public safety:						
Police and fire	7,618	6,633	-	-	7,618	6,633
Building department	945	938	-	-	945	938
Community and economic development	415	286	-	-	415	286
Recreation and culture	1,013	946	-	-	1,013	946
Interest on long-term debt	810	734	-	-	810	734
Water and sewer	-	-	13,136	11,881	13,136	11,881
Total program expenses	13,124	12,732	13,136	11,881	26,260	24,613
Change in Net Assets	<u>\$ 2,882</u>	<u>\$ 1,629</u>	<u>\$ 6,961</u>	<u>\$ 7,214</u>	<u>\$ 9,843</u>	<u>\$ 8,843</u>

Charter Township of Northville

Management's Discussion and Analysis (Continued)

Governmental Activities

Revenues for governmental activities totaled approximately \$16 million in 2005. A total of \$10.6 million was in the form of property tax collections, an increase of \$1.1 million over 2004. This increase reflects a significant growth in taxable value of approximately \$168 million or 10.6 percent. State-shared revenue continues to be of concern. While they provide nearly \$1.5 million, we are uncertain what will happen in 2006 given the State's financial difficulties. The amount collected in 2005 is \$19,000 less than what was received in 2004. Charges in services, primarily for inspections, generated nearly \$2.6 million.

Business-type Activities

Northville Township's business-type activities relate to water and sewer operations. Revenues for the business-type activities were approximately \$20 million. Water is provided to Northville Township residents via the Detroit Water and Sewer Department. Sewage treatment is provided by contracts with Western Township Utility Authority (WTUA), Wayne County, and the Ypsilanti Community Utility Authority (YCUA). Northville Township is participating in a WTUA/YCUA project to expand the YCUA treatment facilities to ensure continued sewage treatment services for the community. This project is 80 percent complete at this time and is on budget.

Current Economic Events

Northville Township continues to experience good growth in the community. This is seen in continually strong housing, commercial, and industrial markets. Our state equalized value (SEV) is approximately \$2.0 billion, which is \$295 million more than our taxable value (TV). This is significant because taxes are based on taxable value, not SEV.

Revenue sharing is the most significant budgetary concern at this time. The State of Michigan is experiencing significant budgeting problems, and as they look for solutions, revenue sharing continues to be under attack. The governor's proposed budget for 2005/2006 calls for a level funding for state revenue-sharing payments. Unfortunately, we are significantly below earlier levels. However, there is continued growth in the community. One additional step we have taken to provide managerial and financial stability is an eight-year strategic forecasting plan. This plan will serve as our guide as we develop future budgets and strategies.

Charter Township of Northville

Management's Discussion and Analysis (Continued)

Financial Analysis of Township Funds and Budgets

The General Fund ended 2005 with a fund balance of \$3,623,705, including \$2,115,386 reserved for a long-term receivable. Several factors affected operating results. First, state-shared revenue was below original projections. This was a result of the State's continued structural budget problems and the state's economy. Tax revenue was up approximately \$167,000 due to increased taxable value. Investment income was down about \$20,000 from last year. Expenditures were within the expectations (approximately \$71,000 below final budget).

The General Fund budget is amended semiannually. This is primarily done to prevent over-expenditures. The 2005 budget amendments increased the legislative department, which related to the increase in utility and liability insurance cost.

Police and fire operations are funded separately through a dedicated millage. These funds are expended exclusively for operations of police and fire, respectively. Both funds ended the year overall within line with budget expectations.

The Shared Services Fund consists of the recreation, senior citizens, and youth assistance operations. Northville Township has a contractual arrangement with the City of Northville to provide these services to the community. These operations are funded separately through a dedicated millage. This fund ended the year within budget expectations.

Contact Us

This report is intended to aid our residents and other interested parties in understanding Northville Township's financial condition. Should you have further questions, please contact the Finance Department.

Charter Township of Northville

Statement of Net Assets December 31, 2005

	Primary Government			Component Unit (EDC)
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and investments (Note 3)	\$ 17,430,884	\$ 7,362,208	\$ 24,793,092	\$ 3,864
Cash segregated for capital (Notes 3 and 4)	-	22,419,558	22,419,558	-
Receivables:				
Taxes	6,229,841	-	6,229,841	-
Customers	-	1,578,782	1,578,782	-
Special assessments	-	35,661	35,661	-
Other	-	245,240	245,240	-
Prepaid expenses and other assets	145,707	27,672	173,379	-
Due from other governmental units	2,357,895	-	2,357,895	-
Internal balances	(17,652)	17,652	-	-
Investments in joint ventures (Note 13)	2,399,436	2,761,451	5,160,887	-
Special assessments - Net of current portion	272,866	291,976	564,842	-
Nondepreciable capital assets (Note 6)	11,905,515	-	11,905,515	-
Depreciable capital assets - Net (Note 6)	17,166,504	49,981,529	67,148,033	-
Total assets	57,890,996	84,721,729	142,612,725	3,864
Liabilities				
Accounts payable and accrued liabilities	779,682	1,179,743	1,959,425	-
Deferred revenue (Note 5)	11,674,781	176,596	11,851,377	-
Noncurrent liabilities (Note 8):				
Due within one year	1,294,063	63,530	1,357,593	-
Due in more than one year	18,030,080	76,756	18,106,836	-
Total liabilities	31,778,606	1,496,625	33,275,231	-
Net Assets				
Invested in capital assets - Net of related debt	10,864,210	49,966,529	60,830,739	-
Restricted:				
Police and fire	5,489,091	-	5,489,091	-
Shared services	396,106	-	396,106	-
Debt service	293,544	-	293,544	-
Unrestricted	9,069,439	33,258,575	42,328,014	3,864
Total net assets	\$ 26,112,390	\$ 83,225,104	\$ 109,337,494	\$ 3,864

Charter Township of Northville

		Program Revenues		
		Charges for	Operating	Capital Grants
	Expenses	Services	Grants and Contributions	and Contributions
Functions/Programs				
Primary government:				
Governmental activities - General government	\$ 2,322,802	\$ 851,927	\$ -	\$ 31,957
Public safety:				
Police and fire	7,618,350	327,255	171,343	-
Building department	945,151	1,347,661	-	-
Community and economic development	414,817	66,579	111,874	-
Recreation and culture	1,013,105	6,407	510,330	-
Interest on long-term debt	809,647	-	-	52,225
Total governmental activities	13,123,872	2,599,829	793,547	84,182
Business-type activities	13,135,688	10,339,728	6,112,685	3,059,568
Total primary government	<u>\$ 26,259,560</u>	<u>\$ 12,939,557</u>	<u>\$ 6,906,232</u>	<u>\$ 3,143,750</u>
Component unit - Economic Development Corporation	<u>\$ 1,184</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
General revenues:				
Property taxes				
State-shared revenues				
Unrestricted investment earnings				
Loss on sale of capital assets				
Transfers				
Total general revenues				
Change in Net Assets				
Net Assets - Beginning of year				
Net Assets - End of year				

Statement of Activities
Year Ended December 31, 2005

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component Unit (EDC)
Governmental Activities	Business-type Activities	Total	
\$ (1,438,918)	\$ -	\$ (1,438,918)	\$ -
(7,119,752)	-	(7,119,752)	-
402,510	-	402,510	-
(236,364)	-	(236,364)	-
(496,368)	-	(496,368)	-
(757,422)	-	(757,422)	-
(9,646,314)	-	(9,646,314)	-
-	6,376,293	6,376,293	-
(9,646,314)	6,376,293	(3,270,021)	-
-	-	-	(1,184)
10,617,171	-	10,617,171	-
1,466,422	-	1,466,422	-
509,571	606,259	1,115,830	120
(86,089)	-	(86,089)	-
21,237	(21,237)	-	-
12,528,312	585,022	13,113,334	120
2,881,998	6,961,315	9,843,313	(1,064)
23,230,392	76,263,789	99,494,181	4,928
\$ 26,112,390	\$ 83,225,104	\$ 109,337,494	\$ 3,864

Charter Township of Northville

	Special Revenue Funds			
	General Fund	Police	Fire	Shared Services
Assets				
Cash and investments (Note 3)	\$ 2,087,846	\$ 7,017,800	\$ 2,509,068	\$ 1,477,408
Receivables:				
Taxes	640,338	3,095,528	1,326,655	1,167,320
Special assessments	184,286	-	-	-
Prepaid expenses and other assets	45,667	58,287	34,258	-
Due from other governmental units	2,115,386	-	-	-
Due from other funds (Note 7)	149,167	-	-	-
Total assets	<u>\$ 5,222,690</u>	<u>\$ 10,171,615</u>	<u>\$ 3,869,981</u>	<u>\$ 2,644,728</u>
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 202,301	\$ 133,135	\$ 35,510	\$ 6,210
Due to other funds (Note 7)	17,652	51,763	26,190	70,000
Deferred revenue (Note 5)	1,379,032	5,837,088	2,468,819	2,172,412
Total liabilities	1,598,985	6,021,986	2,530,519	2,248,622
Fund Balances				
Reserved for long-term receivable	2,115,386	-	-	-
Unreserved - Reported in:				
General Fund - Undesignated	1,508,319	-	-	-
Special Revenue Funds	-	4,149,629	1,339,462	396,106
Capital Projects Funds	-	-	-	-
Debt Service Funds	-	-	-	-
Total fund balances	<u>3,623,705</u>	<u>4,149,629</u>	<u>1,339,462</u>	<u>396,106</u>
Total liabilities and fund balances	<u>\$ 5,222,690</u>	<u>\$ 10,171,615</u>	<u>\$ 3,869,981</u>	<u>\$ 2,644,728</u>

**Governmental Funds
Balance Sheet
December 31, 2005**

Other Nonmajor Governmental Funds	Total Governmental Funds
\$ 4,338,762	\$ 17,430,884
-	6,229,841
88,580	272,866
7,495	145,707
-	2,115,386
-	149,167
<u>\$ 4,434,837</u>	<u>\$ 26,343,851</u>

\$ 201,031	\$ 578,187
1,214	166,819
<u>88,581</u>	<u>11,945,932</u>
290,826	12,690,938
-	2,115,386
-	1,508,319
2,136,207	8,021,404
1,714,260	1,714,260
<u>293,544</u>	<u>293,544</u>
<u>4,144,011</u>	<u>13,652,913</u>
<u>\$ 4,434,837</u>	<u>\$ 26,343,851</u>

Charter Township of Northville

Governmental Funds Reconciliation of Fund Balances to the Statement of Net Assets Year Ended December 31, 2005

Fund Balance - Total Governmental Funds	\$ 13,652,913
--	----------------------

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds	29,072,019
Revenue-sharing revenue due from State not received within 60 days of year end is not available currently and is not recorded in the funds	242,509
Special assessment receivables are expected to be collected over several years and are not available to pay for current year expenditures	271,151
Investments in joint ventures are not financial resources and are not reported in the funds	2,399,436
Long-term liabilities are not due and payable in the current period and are not reported in the funds	(19,324,143)
Accrued interest is not due and payable in the current period and is not reported in the funds	<u>(201,495)</u>

Net Assets - Governmental Activities	<u>\$ 26,112,390</u>
---	-----------------------------

Charter Township of Northville

	Special Revenue Funds			
	General Fund	Police	Fire	Shared Services
Revenue				
Property taxes	\$ 1,202,413	\$ 5,219,444	\$ 2,256,679	\$ 1,938,635
Licensing and enforcement	-	250,556	-	-
Federal sources	-	102,275	22,409	-
State sources	1,492,577	-	-	-
Local sources	-	-	-	-
Building department	1,347,661	-	-	-
Fees, interest, and sundry	827,241	331,243	92,736	24,139
Total revenue	4,869,892	5,903,518	2,371,824	1,962,774
Expenditures				
Legislative	1,252,278	-	-	-
Clerk	318,882	-	-	-
Treasurer	815,611	-	-	-
Police department	-	5,146,692	-	-
Fire department	-	-	2,273,000	-
Building department	870,518	-	-	-
Planning and zoning	302,943	-	-	-
Shared services	-	-	-	1,232,970
Community development programs	-	-	-	-
Capital outlay	-	-	-	-
Debt service	-	-	101,941	246,105
Total expenditures	3,560,232	5,146,692	2,374,941	1,479,075
Excess of Revenue Over (Under) Expenditures	1,309,660	756,826	(3,117)	483,699
Other Financing Sources (Uses)				
Transfers in (Note 7)	512,000	-	-	424,045
Transfers out (Note 7)	(1,374,045)	(235,763)	(45,979)	(512,000)
Total other financing sources (uses)	(862,045)	(235,763)	(45,979)	(87,955)
Net Change in Fund Balances	447,615	521,063	(49,096)	395,744
Fund Balances - Beginning of year	3,176,090	3,628,566	1,388,558	362
Fund Balances - End of year	<u>\$ 3,623,705</u>	<u>\$ 4,149,629</u>	<u>\$ 1,339,462</u>	<u>\$ 396,106</u>

Governmental Funds
Statement of Revenue, Expenditures, and
Changes in Fund Balances
Year Ended December 31, 2005

Other Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ 10,617,171
-	250,556
111,874	236,558
-	1,492,577
52,225	52,225
-	1,347,661
<u>476,287</u>	<u>1,751,646</u>
640,386	15,748,394
-	1,252,278
-	318,882
-	815,611
123,920	5,270,612
-	2,273,000
-	870,518
-	302,943
168,482	1,401,452
111,874	111,874
590,630	590,630
<u>1,164,883</u>	<u>1,512,929</u>
<u>2,159,789</u>	<u>14,720,729</u>
(1,519,403)	1,027,665
1,505,979	2,442,024
<u>(253,000)</u>	<u>(2,420,787)</u>
<u>1,252,979</u>	<u>21,237</u>
(266,424)	1,048,902
<u>4,410,435</u>	<u>12,604,011</u>
<u>\$ 4,144,011</u>	<u>\$ 13,652,913</u>

Charter Township of Northville

Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended December 31, 2005

Net Change in Fund Balances - Total Governmental Funds **\$ 1,048,902**

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:

Capital outlay	\$ 2,108,850	
Net book value of assets disposed	(86,089)	
Depreciation expense	<u>(1,073,571)</u>	949,190

Revenue-sharing revenues are recorded in the statement of activities when the revenue is earned; they are not reported in the funds until collected or collectible within 60 days of year end	(26,155)
---	----------

Special assessment revenues are recorded in the statement of activities when the assessment is set; they are not reported in the funds until collected or collectible within 60 days of year end	134,559
--	---------

Equity interest in the 35th District Courthouse Authority is not reported in the governmental funds	(118,271)
---	-----------

Equity interest in the Northville Parks and Recreation Commission is not reported in the governmental funds	332,193
---	---------

Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it decreases long-term debt)	697,203
---	---------

Changes in accumulated employee sick and vacation pay are recorded when earned in the statement of activities	(141,702)
---	-----------

Increase in accrued interest on bonds, installment purchase obligations, and capital leases is an expenditure in the statement of activities, but not in the governmental funds	<u>6,079</u>
---	--------------

Change in Net Assets of Governmental Activities **\$ 2,881,998**

Charter Township of Northville

Proprietary Funds - Enterprise Funds Statement of Net Assets December 31, 2005

	Water and Sewer	Nonmajor Fund - Solid Waste	Total
Assets			
Current assets:			
Cash and cash equivalents (Note 3)	\$ 7,007,458	\$ 354,750	\$ 7,362,208
Cash segregated for capital (Notes 3 and 4)	22,419,558	-	22,419,558
Receivables:			
Customers	1,578,782	-	1,578,782
Special assessments	35,661	-	35,661
Other	245,240	-	245,240
Prepaid expenses	27,672	-	27,672
Due from other funds (Note 7)	17,652	-	17,652
Total current assets	31,332,023	354,750	31,686,773
Noncurrent assets:			
Special assessments receivable - Net of current portion	291,976	-	291,976
Investments in joint venture (Note 13)	2,761,451	-	2,761,451
Capital assets - Net (Note 6)	49,981,529	-	49,981,529
Total noncurrent assets	53,034,956	-	53,034,956
Total assets	84,366,979	354,750	84,721,729
Liabilities			
Current liabilities:			
Current portion of long-term debt (Note 8)	63,530	-	63,530
Accounts payable and accrued liabilities	1,110,700	69,043	1,179,743
Deferred revenue (Note 5)	-	176,596	176,596
Total current liabilities	1,174,230	245,639	1,419,869
Noncurrent liabilities - Long-term debt - Net of current portion (Note 8)	76,756	-	76,756
Total liabilities	1,250,986	245,639	1,496,625
Net Assets			
Investment in capital assets - Net of related debt	49,966,529	-	49,966,529
Unrestricted	33,149,464	109,111	33,258,575
Total net assets	<u>\$ 83,115,993</u>	<u>\$ 109,111</u>	<u>\$ 83,225,104</u>

Charter Township of Northville

Proprietary Funds - Enterprise Funds Statement of Revenue, Expenses, and Changes in Net Assets Year Ended December 31, 2005

	Water and Sewer	Nonmajor Fund - Solid Waste	Total
Operating Revenue			
Water sales and sewer services	\$ 9,323,412	\$ -	\$ 9,323,412
Solid waste charges	-	1,016,316	1,016,316
Federal source grant revenue	91,281	-	91,281
Other revenue	430,527	-	430,527
Total operating revenue	9,845,220	1,016,316	10,861,536
Operating Expenses			
Cost of water	3,592,737	-	3,592,737
Cost of sewage disposal	4,882,299	-	4,882,299
Collection and recycling charges	-	861,231	861,231
Salaries and wages	909,484	-	909,484
Fringe benefits	307,526	-	307,526
System maintenance and operation	479,868	-	479,868
General and administrative	476,016	54,300	530,316
Depreciation	1,551,811	-	1,551,811
Total operating expenses	12,199,741	915,531	13,115,272
Operating Income (Loss)	(2,354,521)	100,785	(2,253,736)
Nonoperating Revenue (Expense)			
Customer connection fees	5,833,195	-	5,833,195
Interest income	598,658	7,601	606,259
Interest expense	(20,416)	-	(20,416)
Transfers out	(21,237)	-	(21,237)
Total nonoperating revenue	6,390,200	7,601	6,397,801
Income - Before contributions and transfers	4,035,679	108,386	4,144,065
Capital Contributions - Lines constructed by developers	2,817,250	-	2,817,250
Change in Net Assets	6,852,929	108,386	6,961,315
Net Assets - Beginning of year	76,263,064	725	76,263,789
Net Assets - End of year	<u>\$ 83,115,993</u>	<u>\$ 109,111</u>	<u>\$ 83,225,104</u>

Charter Township of Northville

Proprietary Funds - Enterprise Funds Statement of Cash Flows Year Ended December 31, 2005

	Water and Sewer	Nonmajor Fund - Solid Waste
Cash Flows from Operating Activities		
Receipts from customers	\$ 9,577,644	\$ 1,028,888
Receipts from other governmental units - Grants	91,281	-
Payments to suppliers	(10,198,782)	(861,128)
Payments to employees	(1,178,019)	-
Payments for retiree health care	(21,237)	-
Internal activity - Payments to other funds	(7,817)	(26,790)
Net cash (used in) provided by operating activities	(1,736,930)	140,970
Cash Flows from Capital and Related Financing Activities		
Collection of customer assessments (principal and interest)	145,586	-
Purchase of capital assets	(1,928,112)	-
Connection fees	5,833,195	-
Principal and interest paid on capital debt	(363,409)	-
Net cash provided by capital and related financing activities	3,687,260	-
Cash Flows from Investing Activities - Interest received on investments	553,406	7,601
Net Increase in Cash and Cash Equivalents	2,503,736	148,571
Cash and Cash Equivalents - Beginning of year	26,923,280	206,179
Cash and Cash Equivalents - End of year	<u>\$ 29,427,016</u>	<u>\$ 354,750</u>
Balance Sheet Classification of Cash and Cash Equivalents		
Cash and investments	\$ 7,007,458	\$ 354,750
Cash segregated for capital	22,419,558	-
Total cash and cash equivalents	<u>\$ 29,427,016</u>	<u>\$ 354,750</u>

Charter Township of Northville

Proprietary Funds - Enterprise Funds Statement of Cash Flows (Continued) Year Ended December 31, 2005

	Water and Sewer	Nonmajor Fund - Solid Waste
Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities		
Operating income (loss)	\$ (2,354,521)	\$ 100,785
Adjustments to reconcile operating income (loss) to net cash from operating activities:		
Depreciation and amortization	1,551,811	-
Change in investment in joint venture	(1,197,865)	-
Payments for retiree health care	(21,237)	-
Changes in assets and liabilities:		
Receivables	(176,295)	-
Prepaid expenses	2,953	-
Due from other funds	(7,817)	-
Accounts payable and accrued liabilities	428,391	4,603
Due to other funds	-	23,010
Deferred revenue	-	12,572
Accumulated compensated absences	37,650	-
Net cash (used in) provided by operating activities	<u>\$ (1,736,930)</u>	<u>\$ 140,970</u>

Noncash Investing, Capital, and Financing Activities - During the year ended December 31, 2005, developers constructed water and sewer lines with an estimated value of \$2,817,250 and donated them to the Township's Water and Sewer Enterprise Fund.

Charter Township of Northville

Fiduciary Funds - Agency Funds Combined Balance Sheet December 31, 2005

Assets - Cash and cash equivalents (Note 3)	<u>\$ 12,687,345</u>
Liabilities	
Tax collections distributable	\$ 7,087,359
Bonds and deposits	<u>5,599,986</u>
Total liabilities	<u>\$ 12,687,345</u>

Charter Township of Northville

Notes to Financial Statements December 31, 2005

Note 1 - Summary of Significant Accounting Policies

The accounting policies of the Charter Township of Northville (the "Township") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Charter Township of Northville:

Reporting Entity

The Township is governed by an elected seven-member board of trustees. As required by generally accepted accounting principles, these financial statements present the Charter Township of Northville and its component units. The component units discussed below are included in the Township's reporting entity because of the significance of their operational or financial relationships with the Township.

The Northville Township Building Authority is governed by a three-member board that is appointed by the Township board of trustees. Although it is legally separate from the Township, it is reported as if it were part of the primary government because its sole purpose is to finance and construct the Township's public buildings. The Northville Township Building Authority is inactive, and therefore is not included in the Township's financial report.

The Economic Development Corporation (the "EDC") is reported within the component unit column in the combined financial statements. It is reported in a separate column to emphasize that it is separate from the Township. The EDC was created to provide means and methods for the encouragement and assistance of industrial and commercial enterprises in relocating, purchasing, constructing, improving, or expanding within the Township so as to provide needed services and facilities of such enterprises to the residents of the Township. The EDC's governing body, which consists of nine individuals, is selected by the Township board.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component unit. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from the legally separate component unit for which the primary government is financially accountable.

Charter Township of Northville

Notes to Financial Statements December 31, 2005

Note 1 - Summary of Significant Accounting Policies (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual Enterprise Funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Conversely, special assessments and federal grant reimbursements will be collected after the period of availability; receivables have been recorded for these, along with a "deferred revenue" liability. In addition, property taxes collected in December of the current year and January of the subsequent year are available; however, those taxes were levied for the following year's budget; therefore, this revenue has also been deferred.

Charter Township of Northville

Notes to Financial Statements December 31, 2005

Note 1 - Summary of Significant Accounting Policies (Continued)

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

The Township reports the following major governmental funds:

The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Police and Fire Funds are full-service departments whose main source of revenue comes from voter-approved millage on all real property. The funds provide safety, fire suppression, fire prevention, and emergency medical service in the Township.

The Shared Services Fund accounts for various recreation and culture activities within the Township. Revenues consist primarily of voter-approved millage on all real property.

The Township reports the Water and Sewer Fund as its major proprietary fund. This fund accounts for the results of operations that provide water and sewer services to citizens, financed primarily by a user charge for the provision of those services.

Additionally, the Township reports Agency Fund types. The Agency Funds account for assets held by the Township in a trustee capacity. Agency Funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The Township has elected not to follow private sector standards issued after November 30, 1989 for its business-type activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the Township's water and sewer function and various other functions of the Township. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Charter Township of Northville

Notes to Financial Statements December 31, 2005

Note 1 - Summary of Significant Accounting Policies (Continued)

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with the proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relates to charges to customers for sales and services. The Water and Sewer Fund also recognizes the portion of tap fees intended to recover current costs (e.g., labor and materials to hook up new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as nonoperating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Property Tax Revenue

The taxable valuation of the Township totaled approximately \$1.6 billion. Property taxes are levied on each December 1 on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year, at which time penalties and interest are assessed.

The Township's 2004 tax is levied and collectible on December 1, 2004, and is recognized as revenue in the year ended December 31, 2005, when the proceeds of the levy are budgeted and available for the financing of operations.

The Township's tax levy for the year ended December 31, 2005 was as follows:

	<u>Millage Rate</u>	<u>Levy</u>
Operating	0.6888	\$ 1,093,733
Police and fire	4.7156	7,487,819
Shared services	<u>1.2450</u>	<u>1,976,914</u>
Total	<u>6.6494</u>	<u>\$ 10,558,466</u>

Charter Township of Northville

Notes to Financial Statements December 31, 2005

Note 1 - Summary of Significant Accounting Policies (Continued)

These amounts are recognized in the respective General and Special Revenue Funds financial statements as tax revenue, net of administrative fees plus collection of delinquent tax revenues.

Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown as net of allowance for uncollectible amounts.

Prepaid Items - Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., bike paths and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Charter Township of Northville

Notes to Financial Statements December 31, 2005

Note 1 - Summary of Significant Accounting Policies (Continued)

Capital assets are depreciated using the straight-line method over the following useful lives:

Governmental activities:

Bike paths	15 years
Buildings and improvements	30 years
Vehicles	5 years
Furniture and equipment	5 years
Computer equipment	3 years

Business-type activities:

Water and sewer systems	50-75 years
Buildings and improvements	25 years
Equipment	5-10 years

Compensated Absences - It is the Township's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. All vacation and sick pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end.

Long-term Obligations - In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Charter Township of Northville

Notes to Financial Statements December 31, 2005

Note 1 - Summary of Significant Accounting Policies (Continued)

Long-term Obligations - In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Note 2 - Stewardship, Compliance, and Accountability

Construction Code Fees - The Township oversees building construction in accordance with the State's Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The Township charges fees for these services. Beginning January 1, 2000, the law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the current year activity and cumulative shortfall since January 1, 2000 is as follows:

Shortfall at January 1, 2005		\$ (287,098)
Current year building permit revenue		1,347,661
Related expenses:		
Direct costs	\$ 870,518	
Estimated indirect costs	<u>473,716</u>	<u>1,344,234</u>
Current year revenue in excess of expenses		<u>3,427</u>
Cumulative shortfall		<u><u>\$ (283,671)</u></u>

Charter Township of Northville

Notes to Financial Statements December 31, 2005

Note 3 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943 as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Township has designated three banks for the deposit of its funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in accordance with the State statutory authority as listed above. The Township's deposits and investment policies are in accordance with statutory authority.

The Township's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. The Township does not have a deposit policy for custodial credit risk. At year end, the Township had \$15,882,665 of bank deposits (certificates of deposit, checking and savings accounts) that were uninsured and uncollateralized. The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Charter Township of Northville

Notes to Financial Statements December 31, 2005

Note 3 - Deposits and Investments (Continued)

Custodial Credit Risk of Investments

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Township does not have a policy for custodial credit risk. At year end, the following investment securities were uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the Township's name:

Type of Investment	Carrying Value	How Held
U.S. government or agency bond or notes	\$ 8,206,859	Counterparty

Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The Township's investment policy does not restrict investment maturities, other than commercial paper which can only be purchased with a 270-day maturity. At year end, the average maturities of investments are as follows:

Investment	Fair Value	Weighted Average Maturity
U.S. government or agency bond or note	\$ 8,206,859	4.64 years

Pool and Sweep Accounts that are 2a7-like Investments

At year end, the Township had investments in five government investment funds that are operated in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. These funds are fully liquid for withdrawal at any time and the price per unit does not fluctuate with interest earned according to the amount and duration of investment. These pools are not rated and the GASB Statement No. 40 disclosures do not otherwise apply, but each of the three funds does fully comply with Michigan's Public Act 20 of 1943 as amended.

At year end, the Township had \$32,157,945 in this type of fund at Comerica Bank, \$53,194 at Morgan Stanley (Active Assets Money Trust), \$81,060 at Edward Jones (Money Market), \$2,223,299 Fifth Third Securities, Inc. (Fifth Third Institutional Money Market), \$1,020,720 at Ambassador Funds (Ambassador Money Market), and \$112,899 with MBIA Asset Management Group (Michigan CLASS).

Charter Township of Northville

Notes to Financial Statements December 31, 2005

Note 4 - Cash Segregated for Capital - Water and Sewer

Segregated assets at December 31, 2005 consist of bank deposits. These assets are segregated by board resolution for replacement of plant, major repairs, acquisition of capacity, and facility expansion.

Note 5 - Deferred Revenue

On the fund-based statements, governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. Proprietary funds report deferred revenue only for amounts which are not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	Governmental Funds/Activities			Proprietary Funds/Business- type Activities
	Unavailable	Unearned	Total	Unearned
Property taxes	\$ -	\$ 11,598,271	\$ 11,598,271	\$ -
Special assessments	271,151	-	271,151	-
Forfeitures	-	76,510	76,510	-
Other	-	-	-	176,596
Total	<u>\$ 271,151</u>	<u>\$ 11,674,781</u>	<u>\$ 11,945,932</u>	<u>\$ 176,596</u>

On the government-wide statements, since reporting is based on the full-accrual basis of accounting, both governmental and business-type activities report only the amount of unearned revenue as deferred.

Charter Township of Northville

Notes to Financial Statements December 31, 2005

Note 6 - Capital Assets

Capital asset activity of the Township's governmental and business-type activities was as follows:

	Balance January 1, 2005	Reclassifi- cations	Additions	Disposals and Adjustments	Balance December 31, 2005
Governmental Activities					
Capital assets not being depreciated:					
Land	\$ 8,287,400	\$ -	\$ -	\$ -	\$ 8,287,400
Construction in progress	17,083,303	(15,128,270)	1,663,082	-	3,618,115
Subtotal	25,370,703	(15,128,270)	1,663,082	-	11,905,515
Capital assets being depreciated:					
Bike paths	450,758	-	1,422	-	452,180
Buildings and improvements	2,378,468	14,161,082	-	52,470	16,487,080
Vehicles:					
Police and fire	1,962,024	(68,929)	86,856	13,953	1,965,998
Other	338,267	68,929	-	13,921	393,275
Furniture and equipment	1,566,239	523,270	349,726	194,609	2,244,626
Computer equipment	247,064	443,918	7,764	3,659	695,087
Subtotal	6,942,820	15,128,270	445,768	278,612	22,238,246
Accumulated depreciation:					
Bike paths	85,496	-	29,734	-	115,230
Buildings and improvements	1,197,323	-	415,120	4,141	1,608,302
Vehicles:					
Police and fire	1,380,151	(37,326)	161,881	7,441	1,497,265
Other	201,260	37,326	49,196	3,248	284,534
Furniture and equipment	1,187,465	(33,427)	240,168	174,094	1,220,112
Computer equipment	138,999	33,427	177,472	3,599	346,299
Subtotal	4,190,694	-	1,073,571	192,523	5,071,742
Net capital assets being depreciated	2,752,126	15,128,270	(627,803)	86,089	17,166,504
Net capital assets	\$ 28,122,829	\$ -	\$ 1,035,279	\$ 86,089	\$ 29,072,019
Business-type Activities					
Capital assets being depreciated:					
Water and sewer systems	\$ 58,308,889	\$ -	\$ 4,208,278	\$ -	\$ 62,517,167
Buildings and improvements	1,479,534	-	70,252	-	1,549,786
Equipment	2,441,930	-	466,832	195,000	2,713,762
Subtotal	62,230,353	-	4,745,362	195,000	66,780,715
Accumulated depreciation:					
Water and sewer systems	12,788,785	-	1,248,368	-	14,037,153
Buildings and improvements	1,759,069	-	61,991	-	1,821,060
Equipment	894,521	-	241,452	195,000	940,973
Subtotal	15,442,375	-	1,551,811	195,000	16,799,186
Net capital assets	\$ 46,787,978	\$ -	\$ 3,193,551	\$ -	\$ 49,981,529

Charter Township of Northville

Notes to Financial Statements December 31, 2005

Note 6 - Capital Assets (Continued)

For the business-type activities, all depreciation expense was charged to the Water and Sewer Fund. For the governmental activities, depreciation expense was charged to programs of the primary government as follows:

Governmental activities:	
General government	\$ 495,483
Public safety:	
Police and fire	509,479
Building department	68,387
Recreation and culture	<u>222</u>
Total governmental activities	<u><u>\$ 1,073,571</u></u>

Note 7 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
Due to/from Other Funds		
General Fund	Police Fund	\$ 51,763
	Fire Fund	26,190
	Shared Services Fund	70,000
	Other governmental funds	<u>1,214</u>
Total General Fund		149,167
Proprietary Funds -		
Water and Sewer Fund	General Fund	<u>17,652</u>
Total		<u><u>\$ 166,819</u></u>

These balances result from the time lag between the dates that goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

Charter Township of Northville

Notes to Financial Statements December 31, 2005

Note 7 - Interfund Receivables, Payables, and Transfers (Continued)

Interfund Transfers

	Transfers Out						Total
	General Fund	Police Fund	Fire Fund	Shared Services Fund	General Capital Outlay Fund	Water and Sewer Fund	
Transfers in:							
General Fund (2)	\$ -	\$ -	\$ -	\$ 512,000	\$ -	\$ -	\$ 512,000
Shared Services Fund (2)	424,045	-	-	-	-	-	424,045
Capital Projects Fund (1)	600,000	-	-	-	-	-	600,000
General Capital Outlay Fund (1)	350,000	-	-	-	-	-	350,000
Retiree Healthcare Fund (4)	-	235,763	45,979	-	-	21,237	302,979
Land Acquisition Fund (3)	-	-	-	-	253,000	-	253,000
Total	<u>\$ 1,374,045</u>	<u>\$ 235,763</u>	<u>\$ 45,979</u>	<u>\$ 512,000</u>	<u>\$ 253,000</u>	<u>\$ 21,237</u>	<u>\$ 2,442,024</u>

(1) Transfers for capital improvements

(2) Transfers for general operations

(3) Transfers for debt service

(4) Transfers for retiree health care

Note 8 - Long-term Debt

The Township issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the Township. Installment purchase agreements and capital leases are also general obligations of the government. Special assessment bonds provide for capital improvements that benefit specific properties, and will be repaid from amounts levied against those properties benefited from the construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the Township is obligated to provide resources to cover the deficiency until other resources (such as tax sale proceeds or a re-assessment of the district) are received.

Charter Township of Northville

Notes to Financial Statements December 31, 2005

Note 8 - Long-term Debt (Continued)

Long-term obligation activity can be summarized as follows:

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities							
General Obligation Bonds:							
1999 General Obligation Bonds							
Amount of issue - \$3,270,000		\$100,000 -					
Maturing through 2020	5.00% - 5.25%	\$300,000	\$ 2,950,000	\$ -	\$ 100,000	\$ 2,850,000	\$ 100,000
1993 General Obligation Bonds							
Amount of issue - \$260,000		\$25,000	95,000	-	20,000	75,000	25,000
Maturing through 2008	5.60% - 5.80%						
1995 Special Assessment Bonds							
Amount of issue - \$230,000		\$15,000 -					
Maturing through 2010	5.65% - 6.05%	\$20,000	105,000	-	15,000	90,000	15,000
2003 General Obligation Limited Tax Bonds							
Amount of issue - \$15,000,000		\$500,000 -					
Maturing through 2023	3.00% - 4.75%	\$1,100,000	15,000,000	-	250,000	14,750,000	500,000
Installment purchase agreements:							
1998 Installment agreement							
Amount of agreement - \$630,000							
Maturing through 2005	-	-	150,000	-	150,000	-	-
2000 Fire Truck							
Amount of agreement - \$500,000		\$60,902 -					
Maturing through 2008	5.14%	\$67,324	250,184	-	57,925	192,259	60,902
2000 Fire Squad							
Amount of agreement - \$130,218							
Maturing through 2005	-	-	29,314	-	29,314	-	-
1998 Land Contract							
Amount of agreement - \$700,000		\$79,087 -					
Maturing through 2008	5.50%	\$88,026	325,514	-	74,964	250,550	79,087
Total bonds and installment purchase agreements			18,905,012	-	697,203	18,207,809	779,989
Estimated self-insurance claims			160,000			160,000	160,000
Accumulated compensated absences			814,632	141,702	-	956,334	354,074
Total governmental activities			\$ 19,879,644	\$ 141,702	\$ 697,203	\$ 19,324,143	\$ 1,294,063
Business-type Activities							
General Obligation Bonds - 1989 Special Assessment Limited Tax Bonds							
Amount of issue - \$4,746,249							
Maturing through 2006	7.875%	\$15,000	\$ 345,000	\$ -	\$ 330,000	\$ 15,000	\$ 15,000
Accumulated compensated absences			87,636	37,650	-	125,286	48,530
Total business-type activities			\$ 432,636	\$ 37,650	\$ 330,000	\$ 140,286	\$ 63,530

Charter Township of Northville

Notes to Financial Statements December 31, 2005

Note 8 - Long-term Debt (Continued)

Annual debt service requirements to maturity for the above bond and note obligations are as follows:

	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2006	\$ 779,989	\$ 782,773	\$ 1,562,762	\$ 15,000	\$ 591	\$ 15,591
2007	837,470	752,972	1,590,442	-	-	-
2008	900,350	721,085	1,621,435	-	-	-
2009	770,000	687,827	1,457,827	-	-	-
2010	820,000	658,824	1,478,824	-	-	-
2011-2015	5,000,000	2,735,756	7,735,756	-	-	-
2016-2020	6,000,000	1,582,051	7,582,051	-	-	-
2021-2023	3,100,000	297,998	3,397,998	-	-	-
Total	<u>\$ 18,207,809</u>	<u>\$ 8,219,286</u>	<u>\$ 26,427,095</u>	<u>\$ 15,000</u>	<u>\$ 591</u>	<u>\$ 15,591</u>

Note 9 - Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Township has purchased insurance through the Michigan Municipal Workers' Compensation Fund for workers' compensation claims, and participates in the Michigan Municipal Risk Management Authority for claims relating to property loss, torts, errors and omissions, and medical benefits.

The Michigan Municipal Workers' Compensation Fund operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

The Michigan Municipal Risk Management Authority (the "Authority") risk pool program operates as a claims servicing pool for amounts up to member retention limits, and operates as a common risk-sharing management program for losses in excess of member retention amounts. Although premiums are paid annually to the Authority that the Authority uses to pay claims up to the retention limits, the ultimate liability for those claims remains with the Township.

Charter Township of Northville

Notes to Financial Statements December 31, 2005

Note 9 - Risk Management (Continued)

The Township estimates the liability for general liability claims that have been incurred through the end of the fiscal year, including both those claims that have been reported as well as those that have not yet been reported. Changes in the estimated liability for the past two fiscal years were as follows:

	2005	2004
Estimated liability - Beginning of year	\$ 160,000	\$ 80,000
Estimated claims incurred, including changes in estimates	356,076	336,951
Claim payments	<u>(356,076)</u>	<u>(256,951)</u>
Estimated liability - End of year	<u>\$ 160,000</u>	<u>\$ 160,000</u>

Note 10 - Defined Benefit Pension Plan

Plan Description - The Township participates in the Municipal Employees' Retirement System of Michigan (MERS), an agent multiple-employer defined benefit pension plan that covers employees in the command and patrol divisions. The plan was approved on April 1, 1998. The system provides retirement, disability, and death benefits to plan members and their beneficiaries. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to MERS at 1134 Municipal Way, Lansing, MI 48917.

Funding Policy - The obligation to contribute to and maintain the MERS for these employees was established by negotiation with the Township's competitive bargaining units. The Township is required to contribute up to 15 percent of the annual payroll, and employees are required to contribute amounts in excess of 15 percent.

Charter Township of Northville

Notes to Financial Statements December 31, 2005

Note 10 - Defined Benefit Pension Plan (Continued)

Annual Pension Costs - For the year ended December 31, 2005, the Township's annual pension cost of \$349,230 for the plan was equal to the required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2003, using the entry age actuarial cost method. Significant actuarial assumptions used include: (i) an 8 percent investment rate of return; (ii) projected salary increases of 4.5 percent to 8.66 percent per year, attributable to seniority/merit; and (iii) 2.5 percent per year cost of living adjustments. Both (i) and (ii) include an inflation component of 4.5 percent. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized as a level percent of payroll on a closed basis. The remaining amortization period is 32 years.

Three-year trend information as of December 31 follows:

	Fiscal Year Ended December 31		
	2005	2004	2003
Annual pension costs (APC)	\$ 349,230	\$ 268,986	\$ 203,944
Percentage of APC contributed	100%	100%	100%
Net pension obligation	\$ -	\$ -	\$ -
	Actuarial Valuation as of December 31		
	2004	2003	2002
Actuarial value of assets	\$ 3,852,475	\$ 3,470,412	\$ 2,653,279
Actuarial accrued liability (AAL) (entry age)	\$ 5,357,806	\$ 4,760,486	\$ 3,470,420
Unfunded AAL (UAAL)	\$ 1,505,331	\$ 1,290,074	\$ 817,141
Funded ratio	72%	73%	76%
Covered payroll	\$ 2,330,991	\$ 2,026,925	\$ 1,008,047
UAAL as a percentage of payroll	65%	64%	81%

Charter Township of Northville

Notes to Financial Statements December 31, 2005

Note 11 - Defined Contribution Pension Plan

The Township provides pension benefits to all of its full-time employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. As established by the board of trustees, the Township contributes 15 percent of employees' base earnings and voluntary employee contributions are allowed. In accordance with these requirements, the Township contributed \$422,946 during the current year, and employees contributed \$8,527.

Note 12 - Other Postemployment Benefits

The Township provides health benefits to certain full-time employees upon retirement in accordance with labor contracts. Currently, four employees are eligible. The Township includes pre-Medicare retirees and their dependents in its insured health care plan, with no contribution required by the participant. The Township purchases Medicare supplemental insurance for retirees eligible for Medicare. Expenditures for postemployment health care benefits are recognized as the insurance premiums become due; during the year, this amounted to approximately \$93,000.

The Governmental Accounting Standards Board has recently released Statement Number 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any "other" postemployment benefits (other than pensions). The new rules will cause the government-wide financial statements to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the year ending December 31, 2009.

Note 13 - Joint Ventures

The Township is a member of the Western Township Utilities Authority (WTUA), which provides sewage disposal services to the residents of Canton, Northville, and Plymouth Townships. The participating communities provide annual funding for its operations. During the current year, the Township paid WTUA approximately \$5,674,000 for operations, debt, and capital. The Township's equity interest is recorded within the Water and Sewer Fund. The Township is unaware of any circumstances that would cause an additional financial benefit or burden to the participating governments in the near future. Complete financial statements for WTUA can be obtained from the administrative offices at 40905 Joy Road, Canton, MI 48187.

Charter Township of Northville

Notes to Financial Statements December 31, 2005

Note 13 - Joint Ventures (Continued)

The Township is a member of the 35th District Court System and has an equity interest in the 35th District Courthouse Authority (the "Courthouse"), which provides judicial services to the Township and various other surrounding communities. The Township appoints one member to the joint venture's board, which then approves the annual budget. The Township's equity interest is recorded within the governmental activities column in the statement of net assets. The Township is unaware of any circumstances that would cause an additional financial benefit or burden to the participating governments in the near future. The Township and various other surrounding communities agreed to become guarantors of bonds issued by the Courthouse during 1999. There were bonds outstanding of \$3,550,000 at December 31, 2005, of which the Township guarantees approximately 16 percent, or approximately \$584,000. Complete financial statements of the Courthouse can be obtained from the administrative offices at 660 Plymouth Road, Plymouth, MI 48170.

The Township also participates in the Northville Parks and Recreation Commission as a joint venture with the City of Northville. Approval of the annual budget is required by the City and Township. The Recreation Commission has been subsidized to the extent that expenditures exceed operating revenue. The Township's equity interest is recorded within the governmental activities column in the statement of net assets. The participating communities provide annual funding for its operations. During the current year, the Township contributed approximately \$861,000 for the Commission's operations. The Township is unaware of any circumstances that would cause an additional financial benefit or burden to the Township in the near future. Complete financial statements for the organization can be obtained from the administrative office at 215 West Main, Northville, MI 48167.

Charter Township of Northville

Notes to Financial Statements December 31, 2005

Note 13 - Joint Ventures (Continued)

The investments in joint ventures are recorded in the financial statements as follows:

Joint Venture	Governmental Activities	Business-type Activities	Total
Western Township Utilities Authority (WTUA)	\$ -	\$ 2,761,451	\$ 2,761,451
35th District Court System	465,742	-	465,742
Northville Parks and Recreation Commission	<u>1,933,694</u>	<u>-</u>	<u>1,933,694</u>
Total	<u>\$ 2,399,436</u>	<u>\$ 2,761,451</u>	<u>\$ 5,160,887</u>

Required Supplemental Information

Charter Township of Northville

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended December 31, 2005

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenues				
Property taxes	\$ 1,159,278	\$ 1,210,032	\$ 1,202,413	\$ (7,619)
State sources	1,503,356	1,494,130	1,492,577	(1,553)
Building department	1,610,900	1,390,900	1,347,661	(43,239)
Fees, interest, and sundry	<u>1,107,831</u>	<u>1,105,082</u>	<u>1,339,241</u>	<u>234,159</u>
Total revenues	5,381,365	5,200,144	5,381,892	181,748
Expenditures				
Legislative	1,086,300	1,303,779	1,252,278	51,501
Clerk	289,300	315,800	318,882	(3,082)
Treasurer	790,950	794,000	815,611	(21,611)
Building department	822,400	885,400	870,518	14,882
Planning and zoning	331,778	332,450	302,943	29,507
Transfers to other funds	<u>950,000</u>	<u>1,374,045</u>	<u>1,374,045</u>	<u>-</u>
Total expenditures	<u>4,270,728</u>	<u>5,005,474</u>	<u>4,934,277</u>	<u>71,197</u>
Excess of Revenues Over Expenditures	1,110,637	194,670	447,615	<u>\$ 252,945</u>
Fund Balance - Beginning of year	<u>1,060,500</u>	<u>3,176,090</u>	<u>3,176,090</u>	
Fund Balance - End of year	<u>\$ 2,171,137</u>	<u>\$ 3,370,760</u>	<u>\$ 3,623,705</u>	

Charter Township of Northville

	Police Fund			Variance with
	Original Budget	Amended Budget	Actual	Amended Budget
Revenues				
Property taxes	\$ 5,560,207	\$ 5,219,444	\$ 5,219,444	\$ -
Other revenue	449,705	635,966	684,074	48,108
Transfers in from other funds	-	-	-	-
Total revenues	6,009,912	5,855,410	5,903,518	48,108
Expenditures	5,113,360	5,518,511	5,382,455	136,056
Excess of Revenues Over (Under) Expenditures	896,552	336,899	521,063	\$ 184,164
Fund Balance - Beginning of year	3,627,489	3,628,566	3,628,566	
Fund Balance - End of year	\$ 4,524,041	\$ 3,965,465	\$ 4,149,629	

**Required Supplemental Information
Budgetary Comparison Schedule
Major Special Revenue Funds
Year Ended December 31, 2005**

Fire Fund				Shared Services Fund			
Original Budget	Amended Budget	Actual	Variance with Amended Budget	Original Budget	Amended Budget	Actual	Variance with Amended Budget
\$ 2,397,703	\$ 2,254,600	\$ 2,256,679	\$ 2,079	\$ 1,931,864	\$ 1,936,864	\$ 1,938,635	\$ 1,771
22,500	76,116	115,145	39,029	15,000	15,000	24,139	9,139
-	-	-	-	-	494,045	424,045	(70,000)
2,420,203	2,330,716	2,371,824	41,108	1,946,864	2,445,909	2,386,819	(59,090)
2,507,700	2,610,167	2,420,920	189,247	1,671,812	2,429,098	1,991,075	438,023
(87,497)	(279,451)	(49,096)	\$ 230,355	275,052	16,811	395,744	\$ 378,933
1,389,645	1,388,558	1,388,558		420	362	362	
\$ 1,302,148	\$ 1,109,107	\$ 1,339,462		\$ 275,472	\$ 17,173	\$ 396,106	

Charter Township of Northville

Note to Required Supplemental Information Year Ended December 31, 2005

Budgetary Information - The annual budget is prepared by the Township supervisor and adopted by the Township board; subsequent amendments are approved by the Township board. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at December 31, 2005 is not known. During the current year, the budget was amended in a legally permissible manner.

The budget has been prepared in accordance with generally accepted accounting principles for the General Fund and all Special Revenue Funds, with the exception that operating transfers have been included in the "revenue" and/or "expenditures" categories, rather than as "other financing sources (uses)".

The Township follows procedures outlined below in establishing the budget reflected in the financial statements:

The budget process begins in August via an e-mail distribution to various Township departments.

In August, a preliminary operating budget is adopted for the following year.

In September, the budget is available for public viewing, a public hearing for truth and taxation takes place, and study sessions occur with the board of trustees.

In October, the final operating budget is adopted.

The budget has been adopted on an activity basis; expenditures at this level in excess of amounts budgeted are a violation of Michigan law. Comparison of actual results of operations to the budgets of the General Fund and Major Special Revenue Funds as adopted by the Township board is included in the required supplemental information of the basic financial statements. A comparison of the actual results of operations to the Nonmajor Special Revenue Funds budgets as adopted by the Township is available at the Township Hall for inspection.

Excess of Expenditures Over Budgeted Amounts - The Township had expenditure budget overruns as follows:

	Amended Budget	Actual	Variance
General Fund:			
Clerk (I)	\$ 315,800	\$ 318,882	\$ (3,082)
Treasurer (I)	794,000	815,611	(21,611)

(I) Variance resulting from various accruals of expenses at the end of the year

Other Supplemental Information

Charter Township of Northville

	Special Revenue Funds					
	Community Development Block Grant	Youth Assistance	General Capital Outlay	Special Operations Team	D.A.R.E.	Retiree Healthcare
Assets						
Cash and investments	\$ -	\$ 179,274	\$ 1,079,050	\$ 13,724	\$ 12,875	\$ 857,406
Receivables - Special assessments	-	-	-	-	-	-
Prepaid expenses and other assets	-	170	-	-	-	7,325
Total assets	<u>\$ -</u>	<u>\$ 179,444</u>	<u>\$ 1,079,050</u>	<u>\$ 13,724</u>	<u>\$ 12,875</u>	<u>\$ 864,731</u>
Liabilities and Fund Balances						
Liabilities						
Accounts payable	\$ -	\$ 1,590	\$ 10,813	\$ -	\$ -	\$ -
Due to other funds	-	1,214	-	-	-	-
Deferred revenue	-	-	-	-	-	-
Total liabilities	-	2,804	10,813	-	-	-
Fund Balances - Unreserved	-	176,640	1,068,237	13,724	12,875	864,731
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 179,444</u>	<u>\$ 1,079,050</u>	<u>\$ 13,724</u>	<u>\$ 12,875</u>	<u>\$ 864,731</u>

**Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2005**

Debt Service Funds				
Capital Projects Fund	Gerald Avenue	Beck Road Park	Land Acquisition	Total Nonmajor Governmental Funds
\$ 1,902,888	\$ 255,547	\$ 31,350	\$ 6,648	\$ 4,338,762
-	88,580	-	-	88,580
-	-	-	-	7,495
<u>\$ 1,902,888</u>	<u>\$ 344,127</u>	<u>\$ 31,350</u>	<u>\$ 6,648</u>	<u>\$ 4,434,837</u>
\$ 188,628	\$ -	\$ -	\$ -	\$ 201,031
-	-	-	-	1,214
-	88,581	-	-	88,581
188,628	88,581	-	-	290,826
1,714,260	255,546	31,350	6,648	4,144,011
<u>\$ 1,902,888</u>	<u>\$ 344,127</u>	<u>\$ 31,350</u>	<u>\$ 6,648</u>	<u>\$ 4,434,837</u>

Charter Township of Northville

	Special Revenue Funds					
	Community Development Block Grant	Youth Assistance	General Capital Outlay	Special Operations Team	D.A.R.E.	Retiree Healthcare
Revenue						
Federal sources	\$ 111,874	\$ -	\$ -	\$ -	\$ -	\$ -
Local sources	-	-	-	-	-	-
Fees, interest, and sundry	-	189,463	72,092	35,969	1,519	25,389
Total revenue	111,874	189,463	72,092	35,969	1,519	25,389
Expenditures						
Police department	-	-	-	54,084	-	69,836
Shared services	-	168,482	-	-	-	-
Community development programs	111,874	-	-	-	-	-
Capital outlay	-	-	157,285	-	-	-
Debt service	-	-	-	-	-	-
Total expenditures	111,874	168,482	157,285	54,084	-	69,836
Excess of Revenue Over (Under)						
Expenditures	-	20,981	(85,193)	(18,115)	1,519	(44,447)
Other Financing Sources (Uses)						
Transfers in	-	-	350,000	-	-	302,979
Transfers out	-	-	(253,000)	-	-	-
Total other financing sources (uses)	-	-	97,000	-	-	302,979
Net Change in Fund Balances	-	20,981	11,807	(18,115)	1,519	258,532
Fund Balances - Beginning of year	-	155,659	1,056,430	31,839	11,356	606,199
Fund Balances - End of year	\$ -	\$ 176,640	\$ 1,068,237	\$ 13,724	\$ 12,875	\$ 864,731

Other Supplemental Information
Combining Statement of Revenue, Expenditures, and Changes
in Fund Balances - Nonmajor Governmental Funds
Year Ended December 31, 2005

Debt Service Funds				Total Nonmajor Governmental Funds
Capital Projects	Gerald Avenue	Beck Road Park	Land Acquisition	
\$ -	\$ -	\$ -	\$ -	\$ 111,874
-	-	52,225	-	52,225
<u>110,245</u>	<u>39,349</u>	<u>297</u>	<u>1,964</u>	<u>476,287</u>
110,245	39,349	52,522	1,964	640,386
-	-	-	-	123,920
-	-	-	-	168,482
-	-	-	-	111,874
433,345	-	-	-	590,630
<u>864,438</u>	<u>22,832</u>	<u>25,088</u>	<u>252,525</u>	<u>1,164,883</u>
<u>1,297,783</u>	<u>22,832</u>	<u>25,088</u>	<u>252,525</u>	<u>2,159,789</u>
(1,187,538)	16,517	27,434	(250,561)	(1,519,403)
600,000	-	-	253,000	1,505,979
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(253,000)</u>
600,000	-	-	253,000	1,252,979
(587,538)	16,517	27,434	2,439	(266,424)
<u>2,301,798</u>	<u>239,029</u>	<u>3,916</u>	<u>4,209</u>	<u>4,410,435</u>
<u>\$ 1,714,260</u>	<u>\$ 255,546</u>	<u>\$ 31,350</u>	<u>\$ 6,648</u>	<u>\$ 4,144,011</u>

Charter Township of Northville

Other Supplemental Information Combining Balance Sheet Fiduciary Funds - Agency Funds December 31, 2005

	<u>Tax Collection</u>	<u>Water and Sewer Agency</u>	<u>Township Escrow</u>	<u>Totals</u>
Assets - Cash and cash equivalents	<u>\$ 7,087,359</u>	<u>\$ 1,249,598</u>	<u>\$ 4,350,388</u>	<u>\$ 12,687,345</u>
Liabilities				
Tax collections distributable	\$ 7,087,359	\$ -	\$ -	\$ 7,087,359
Bonds and deposits	<u>-</u>	<u>1,249,598</u>	<u>4,350,388</u>	<u>5,599,986</u>
Total liabilities	<u>\$ 7,087,359</u>	<u>\$ 1,249,598</u>	<u>\$ 4,350,388</u>	<u>\$ 12,687,345</u>

March 2, 2006

Board of Trustees
Charter Township of Northville
44405 Six Mile Road
Northville, MI 48167

Dear Board Members:

We recently completed our audit of the basic financial statements of Charter Township of Northville for the year ended December 31, 2005. As a result of our audit, we have the following comments and recommendations for your review and consideration.

MISCELLANEOUS ACCOUNTING AND RECORDKEEPING ITEMS

Condition of Accounting Records and Controls

We would like to compliment the Township Board and the Township management for the overall positive condition of the financial records and related documentation for the fiscal year ended December 31, 2005. Strong internal controls and procedures promote timely and accurate recording of financial transactions and provide pertinent information regarding the sources and used of public funds. We encourage the Township to continue to modify and refine existing control procedures as future financial activities change.

REVENUE SHARING

The State's fiscal year 2005/2006 provides for both constitutional and statutory revenue sharing at approximately \$1.1 billion, which is basically the fiscal year 2004/2005 funding level. As with the past several years, revenue sharing payments on an individual community-by-community basis for fiscal year 2005/2006 will be funded at approximately fiscal year 2004/2005 levels.

The Governor's proposed 2006/2007 budget did not include any additional funding for local governments. As a result, it is expected that overall revenue sharing payments to communities for fiscal year 2006/2007 will remain stagnant at the 2004/2005 level.

Even though there is the expectation that revenue sharing will hold constant at prior year funding levels, continued caution should be exercised when budgeting this line item. While it is good news that revenue sharing may be maintained at current levels, sales tax revenue would support an increase to total state shared revenue payments. However, for fiscal years 2004/2005, 2005/2006, and 2006/2007, the appropriation in the State's budget for revenue sharing payments is over \$500

million less annually than amounts provided for in law and based on actual sales tax collections. For those three years, revenue sharing distributions are planned to be approximately \$1.6 billion less than amounts provided by statutory formulas. There appears to be no long term solution to the State's structural deficit in its General Fund and as long as this condition exists revenue sharing remains at risk and a return to past funding levels is not likely in the foreseeable future.

The table below details state shared revenue for the Township over the past five years broken out by statutory and constitutional portions. In addition, it details the total decrease in state shared revenue experienced by the Township compared to the State's fiscal year 2001.

State Fiscal Year	Statutory	Constitutional	Total	Decrease from 2001
2001	419,597	1,321,984	1,741,581	-
2002	387,711	1,335,491	1,723,202	(18,379)
2003	324,421	1,358,326	1,682,747	(58,834)
2004	168,803	1,343,571	1,512,374	(229,207)
2005	120,255	1,375,634	1,495,889	(245,692)

If the State were to eliminate the statutory portion of revenue sharing (as the constitutional portion cannot be modified without a change to the State's constitution), the Township has approximately \$120,000 at risk in its General Fund budget based on 2005 funding levels. We will continue to update the Township as developments occur. The statutory formula expires in 2007 and requires action by the Legislature.

The revenue sharing act does provide that a city, village, or township with a minimum 10% population growth confirmed by a special census, and levying at least one mill, is eligible for an annual payment for a portion or all of the growth population. Even if the township meets these criteria, funds for the special census payment must be appropriated by the Legislature.

MUNICIPAL FINANCE ACT - REMINDER

The Municipal Finance Act was amended during 2001. Beginning after March 2002, communities and authorities are now required to submit a filing once a year with the Michigan Department of Treasury. The old ten-day "exemption from prior approval" process has been eliminated and is replaced with this qualification process. The filing will serve as a pre-approval for debt issuances. The current filing is due within six months of the Township's year end (June 30, 2006) and is good through the extended due date of the financial statement filings.

RETIREE HEALTH CARE BENEFITS

As discussed in the prior year, the Governmental Accounting Standards Board has released Statement Number 45, Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any "other" postemployment benefits (other than pensions). The intent of the new rules is to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. These new rules will apply to the government wide financial statements, rather than the individual fund level. Therefore, the manner in which retiree health care benefits are budgeted will not change, unless you begin funding the benefits (however, as discussed below, there are incentives to do so).

The new pronouncement will require a valuation of the obligation to provide retiree health care benefits, including an amortization of the past service cost over a period of up to 30 years. The valuation must include an annual recommended contribution (ARC). While the ARC does not need to be funded each year, any under funding must be reported as a liability on the government wide statement of net assets.

This valuation will need to be performed by an actuary if the total participants exceed 100. Participants are defined as employees in active service, terminated employees not yet receiving benefits, plus retirees and beneficiaries currently receiving benefits. For plans with 100 to 200 participants, the actuarial valuation must be at least every three years; for those over 200 participants, at least every other year.

This statement is being phased in over a three year period, similar to GASB 34. It is effective for fiscal years beginning after December 15, 2006, 2007 or 2008 depending on whether your revenues are over \$100 million, between \$10 million and \$100 million, or under \$10 million. Remember that planning to make the annual recommended contribution generally requires up to three to six months for an actuarial valuation plus six months lead time to work the numbers into the budget. Therefore, we normally recommend that you begin the actuarial valuation at least one year prior to the above dates.

The GASB statement has provided substantial incentive to fund the obligation in accordance with the annual recommended contribution. In addition to the normal fairness issue of paying for a service as you use it, the GASB has directed that lower rates of return be used for evaluating the annual recommended contribution in situations where the recommended contribution is not being funded. This will significantly increase the calculation of the following year's contribution. So – funding the contribution will actually reduce your long run cost.

You should be pleased to note that the Township has been proactive in analyzing the impact of this new pronouncement and has already taken action in order to address the new GASB pronouncement, including obtaining an actuarial valuation, setting up a separate Retiree Healthcare Special Revenue Fund, and beginning to fund the future liability.

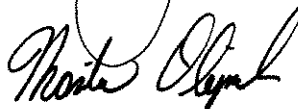
We would like to compliment the Township Board, Township management, and the finance department for the overall condition of the financial records and related documentation for the year ended December 31, 2005. We would also like to thank Thelma Kubitskey, the Assistant Township Manager/Finance Director, Delores Bowden, the Accounting Administrator, and the entire finance department for their help and positive attitude throughout the audit. If you have any questions regarding any of the suggestions noted above or would like assistance in their implementation, please contact us.

Very truly yours,

PLANTE & MORAN, PLLC



Michael J. Swartz



Martin J. Olejnik